

**DIRECTORATE GENERAL OF SAFEGUARDS  
CUSTOMS AND CENTRAL EXCISE  
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BHAI VIR SINGH MARG, GOLE MARKET  
NEW DELHI-110001  
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**NOTICE OF INITIATION OF A SAFEGUARD INVESTIGATION**

[Under Rule 6 of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997]

New Delhi, 6<sup>th</sup> June, 2013  
F.No. D-22011/ 08/2013

**Sub: Initiation of safeguard investigation concerning imports of Methyl Acetoacetate Into India.**

G.S.R.----An application has been filed before me under Rule 5 of the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 by M/s. Laxmi Organic Industries Limited, Mumbai through their consultant M/S ELP Advocates & Solicitors for imposition of Safeguard Duty on imports of Methyl Acetoacetate into India to protect the domestic producers of Methyl Acetoacetate against serious injury/threat of serious injury caused by the increased imports of Methyl Acetoacetate into India.

**2. Domestic Industry:** M/s Laxmi Organic Industries Ltd, Mumbai are the only applicant constituting domestic industry in this case. M/S Laxmi Organic Industries Ltd, claimed that their production account for 100% of the total production of Methyl Acetoacetate in the country and thus they have the standing to file the present petition.

**3. Product Involved:** The product under consideration in the present case is Methyl Acetoacetate (also known as MAA/MAAE/AAME) which is a diketene based Ester or aceto-acetate. Esters are chemical compounds derived by reacting an oxoacid with a hydroxyl compound such as an alcohol or phenol. The chemical Formula in respect of this product is  $C_5H_8O_3$ . This product is also known by the names of Methyl-3-ketobutyrate, Methyl acetylacetate, Methyl-3-oxobutanoate, Methyl acetone carboxylate, Methyl-3-oxobutyrate, Acetoacetic methyl ester, MAAE.

Methyl Acetoacetate is classified under Customs sub-heading nos. 29183040 of Chapter 29 of the Customs Tariff Act, 1975. The classification is however indicative only and in no way binding on the scope of the present investigations.

4. **Period of Investigation (POI):** The applicant for the purpose of the present application has considered the data for three years period. The applicant has submitted all the data from 2010-11 to 2012-13. The period for investigation selected is 2010-11 to 2012-13 which is long enough in order to take into consideration the market conditions and to ascertain the need of imposition of Safeguard Duty.

5. **Source of information:** The import data for the product under consideration has been taken from IBIS (transaction wise) as provided by the applicant as they have claimed that the subject goods are being imported under various other classifications as well. The applicant under Annexure 3 to the application have provided various other chapter headings/ITC classifications under which the subject goods are being imported into India along with sample transaction entries. In such a situation, transaction wise data had to be considered which is available only in the IBIS data. Hence IBIS import data has been taken. Further, the data pertaining to other safeguard economic parameters has been verified to the extent necessary, through onsite verification of the unit of the applicant and such verified data for the POI has been taken into consideration for injury analysis.

6. **Increased Imports (Absolute & in relative terms):** Methyl Acetoacetate is imported into India from a number of countries, and primarily from China, USA and Switzerland. The imports of Methyl Acetoacetate have shown an increasing trend in absolute terms as well as compared to the total production. The imports and production of Methyl Acetoacetate during financial year 2010-11 to 2012-13 remained as under:

Financial Year	Total Imports (MT)	All India Production (MT)	Total Demand(MT)	Import as a % of production
2010-11	3985	1980	5717	201
2011-12	3584	2604	6263	138
2012-13	5084	2045	7101	249

The Imports have increased from 3985MT in 2010-11 to 5084MT in 2012-13 which shows an increase of 28%. Further the import as a percentage of domestic production have increased to 249% in 2012-13 from 138% in 2011-12.

7. **Injury:** The applicant have claimed that the increased imports of Methyl Acetoacetate have caused and are threatening to cause serious injury to the domestic producer of Methyl Acetoacetate as indicated by the following factors:

a) *Production:* Though the production of the domestic industry increased in 2011-12 as compared to the year 2010-11, it declined from 2604 MT in 2011-12 to 2045 MT in 2012-13.

YEAR	QTY(MT)
2010-11	1980
2011-12	2604
2012-13	2045

b) *Capacity Utilization*: Capacity utilization of the domestic industry has declined significantly in the most recent period, from 53% in 2011-12 to 41% in 2012-13.

YEAR	Installed Capacity (MT)	Capacity utilized(%)
2010-11	4950	40
2011-12	4950	53
2012-13	4950	41

c) *Share of domestic producers in domestic demand*: Market share of domestic producer has fallen significantly. Applicant had a market share of 43% in 2011-12 which fell to 28% during 2012-13. The market share of import increased from 57% in 2011-12 to 72% in 2012-13.

Financial Year	Total Import (MT)	Sales of DI (MT)	Total Demand (MT)	Market Share(%)		Inventories (MT)
				DI	Import	
<b>2010-11</b>	3985	1732	5717	30	70	196
<b>2011-12</b>	3584	2679	6263	43	57	84
<b>2012-13</b>	5084	2017	7101	28	72	79

d) *Changes in the level of Sales* :- Though the sales of the domestic industry increased in 2011-12 as compared to the year 2010-11, it declined from 2679 MT in 2011-12 to 2017 MT in 2012-13. This decline in sales is despite the fact that the demand increased from 6263 MT in 2011-12 to 7101 MT in 2012-13. This clearly shows that the domestic industry suffered loss in sales, market share, caused by increased imports.

e) *Profit/loss* – the profitability of the domestic industry has steeply deteriorated to such a situation that the domestic industry is now suffering financial losses. This is evident from the table below:-

Financial Year	Profitability (Rs. /MT) (Indexed)
2010-11	-100
2011-12	-187
2012-13(annualized)	-156

8. The domestic industry has requested for immediate imposition of safeguard measures for a period of four years in their application. The domestic industry has also requested for imposition of provisional safeguard duty in view of steep deterioration in performance of the domestic industry as a result of increased imports of product under consideration.

9. The application has been examined and it has been found that prima facie increased imports of Methyl Acetoacetate have caused and are threatening to cause serious injury to the domestic producers of Methyl Acetoacetate and such increase in imports has caused irreparable damage to the domestic industry and accordingly, it has been decided to initiate an investigation through this notice.

10. All interested parties may make their views known within a period of 30 days from the date of this notice to:

The Director General (Safeguards)  
Bhai Vir Singh Sahitya Sadan: 2nd Floor,  
Bhai Vir Singh Marg,  
Gole Market, New Delhi-110 001, INDIA.  
Telefax: 011-23741542/ 23741537  
E-mail: [dgsafeguards@nic.in](mailto:dgsafeguards@nic.in)

11. All known interested parties are also being addressed separately.

12. Any other party to the investigation who wishes to be considered as an interested party may submit its request so as to reach the Director General (Safeguards) on the aforementioned address within 15 days from the date of this notice.

13. In terms of Rule 6(7) of Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997, any interested party may inspect the public file containing non-confidential versions of the evidence submitted by the other interested parties after the expiry of 30 days from the date of this notice.

(G.S SARNA)  
DIRECTOR GENERAL.